

House File 641 - Introduced

HOUSE FILE 641

BY BOHANNAN

(COMPANION TO SF 215 BY
BOLKCOM)

A BILL FOR

1 An Act relating to the solar energy system tax credit available
2 against the individual and corporate income tax, the
3 franchise tax, the moneys and credits tax, and including
4 effective date and retroactive applicability provisions.
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

DIVISION I

SOLAR ENERGY SYSTEM STATE TAX CREDIT

Section 1. Section 422.11L, Code 2021, is amended by striking the section and inserting in lieu thereof the following:

422.11L Solar energy system tax credits.

1. As used in this section:

a. "Commercial solar energy system" means a solar energy system on property that is not residential or multiresidential.

b. "Residential solar energy system" means a solar energy system on residential property or multiresidential property.

c. "Solar energy system" means a system of equipment capable of collecting and converting incident solar radiation into thermal, mechanical, or electrical energy and transporting the energy by a separate apparatus to storage or to a point of use.

2. Beginning with installations completed on or after January 1, 2021, the taxes imposed under this subchapter, less the credits allowed under section 422.12, shall be reduced by a solar energy system tax credit equal to fifteen percent of the gross cost of the solar energy system, not to exceed the following amounts:

a. For a residential solar energy system, five thousand dollars.

b. For a commercial solar energy system, twenty thousand dollars.

3. Any credit in excess of the tax liability is not refundable but the excess for the tax year may be credited to the tax liability for the following ten years or until depleted, whichever is earlier.

4. *a.* An individual may claim the tax credit allowed a partnership, limited liability company, S corporation, estate, or trust electing to have the income taxed directly to the individual. The amount claimed by the individual shall be based upon the pro rata share of the individual's earnings of the partnership, limited liability company, S corporation,

1 estate, or trust.

2 *b.* A taxpayer who is eligible to claim a credit under this
3 section shall not be eligible to claim a renewable energy tax
4 credit under chapter 476C.

5 *c.* A taxpayer may claim more than one credit under this
6 section, but may claim only one credit per separate and
7 distinct solar energy system installation. The department
8 shall establish criteria, by rule, for determining what
9 constitutes a separate and distinct installation.

10 *d.* (1) A taxpayer must submit an application to the
11 department for each separate and distinct solar energy
12 system installation. The application must be approved by the
13 department in order to claim the tax credit. The application
14 must be filed by May 1 following the year of the installation
15 of the solar energy system.

16 (2) The department shall accept and approve applications
17 on a first-come, first-served basis until the maximum amount
18 of tax credits that may be claimed pursuant to subsection 5
19 is reached. If for a tax year the aggregate amount of tax
20 credits applied for exceeds the amount specified in subsection
21 5, the department shall establish a wait list for tax credits.
22 Valid applications filed by the taxpayer by May 1 following the
23 year of the installation but not approved by the department
24 shall be placed on a wait list in the order the applications
25 were received and those applicants shall be given priority
26 for having their applications approved in succeeding years.
27 Placement on a wait list pursuant to this subparagraph shall
28 not constitute a promise binding the state. The availability
29 of a tax credit and approval of a tax credit application
30 pursuant to this section in a future year is contingent upon
31 the availability of tax credits in that particular year.

32 5. *a.* The cumulative value of tax credits claimed annually
33 by applicants pursuant to this section shall not exceed ten
34 million dollars.

35 *b.* If an amount of tax credits available for a tax year

1 pursuant to paragraph "a" goes unclaimed, the amount of the
2 unclaimed tax credits shall be made available for the following
3 tax year in addition to, and cumulated with, the amount
4 available pursuant to paragraph "a" for the following tax year.

5 6. On or before January 1, annually, the department shall
6 submit a written report to the governor and the general
7 assembly regarding the number and value of tax credits claimed
8 under this section, and any other information the department
9 may deem relevant and appropriate.

10 7. The director shall adopt rules pursuant to chapter 17A to
11 administer this section.

12 Sec. 2. Section 422.33, subsection 29, paragraph a, Code
13 2021, is amended to read as follows:

14 a. The Beginning with installations completed on or after
15 January 1, 2021, the taxes imposed under this subchapter shall
16 be reduced by a solar energy system tax credit ~~equal to sixty~~
17 ~~percent of the federal energy credit related to solar energy~~
18 ~~systems provided in section 48(a)(2)(A)(i)(II) and section~~
19 ~~48(a)(2)(A)(i)(III) of the Internal Revenue Code, not to exceed~~
20 ~~twenty thousand dollars. For installations occurring on or~~
21 ~~after January 1, 2016, the applicable percentage of the federal~~
22 ~~energy credit related to solar energy systems shall be fifty~~
23 ~~percent~~ allowed under section 422.11L.

24 Sec. 3. Section 422.60, subsection 12, paragraph a, Code
25 2021, is amended to read as follows:

26 a. The Beginning with the installations completed on or
27 after January 1, 2021, the taxes imposed under this subchapter
28 shall be reduced by a solar energy system tax credit ~~equal to~~
29 ~~sixty percent of the federal energy credit related to solar~~
30 ~~energy systems provided in section 48(a)(2)(A)(i)(II) and~~
31 ~~section 48(a)(2)(A)(i)(III) of the Internal Revenue Code, not~~
32 ~~to exceed twenty thousand dollars. For installations occurring~~
33 ~~on or after January 1, 2016, the applicable percentage of the~~
34 ~~federal energy credit related to solar energy systems shall be~~
35 ~~fifty percent~~ allowed under section 422.11L.

1 Sec. 4. Section 533.329, subsection 2, paragraph k, Code
2 2021, is amended to read as follows:

3 k. The Beginning with the installations completed on or
4 after January 1, 2021, the moneys and credits tax imposed under
5 this section shall be reduced by a solar energy system tax
6 credit allowed under [section 422.11L](#).

7 Sec. 5. WAIT LIST FOR CLAIMS PRIOR TO JANUARY 1, 2021. The
8 wait list pursuant to section 422.11L, subsection 3, paragraph
9 "d", subparagraph (2), Code 2021, in existence prior to January
10 1, 2021, shall remain in effect, and an applicant from that
11 wait list shall be given priority on any new wait list based
12 upon the date the application for the credit was received by
13 the department.

14 Sec. 6. EFFECTIVE DATE. This division of this Act, being
15 deemed of immediate importance, takes effect upon enactment.

16 Sec. 7. RETROACTIVE APPLICABILITY. This division of this
17 Act applies retroactively to January 1, 2021, for tax years
18 ending on or after that date.

19 DIVISION II

20 MAXIMUM CUMULATIVE VALUE OF TAX CREDITS FOR YEAR 2020

21 Sec. 8. CUMULATIVE VALUE OF TAX CREDIT FOR YEAR
22 2020. Notwithstanding section 422.11L, subsection 4, Code
23 2021, the maximum cumulative value of tax credits that may be
24 claimed during the 2020 calendar year shall not exceed ten
25 million dollars.

26 Sec. 9. EFFECTIVE DATE. This division of this Act, being
27 deemed of immediate importance, takes effect upon enactment.

28 Sec. 10. RETROACTIVE APPLICABILITY. This division of this
29 Act applies retroactively to tax years beginning on or after
30 January 1, 2020, but before January 1, 2021.

31 EXPLANATION

32 The inclusion of this explanation does not constitute agreement with
33 the explanation's substance by the members of the general assembly.

34 This bill relates to the solar energy system tax credit.
35 Under existing law, the Iowa solar energy system tax credit

1 available against the individual or corporate income tax, the
2 franchise tax, or the moneys and credits tax equals the sum of
3 50 percent of the federal residential energy efficient property
4 credit, not to exceed \$5,000, plus 50 percent of the federal
5 energy credit related to solar energy systems, not to exceed
6 \$20,000.

7 Division I strikes provisions basing the Iowa solar energy
8 system tax credit as a percentage of federal energy tax credits
9 and creates a new Iowa solar energy system tax credit for
10 installations completed on or after January 1, 2021. The bill
11 creates a residential solar energy system tax credit equal
12 to 15 percent of the gross cost of the system, up to \$5,000.
13 The bill creates a separate commercial solar energy system
14 tax credit not to exceed 15 percent of the gross cost of the
15 system, up to \$20,000. The tax credit is available against the
16 individual and corporate income taxes, the franchise tax, and
17 the moneys and credits tax.

18 The bill defines "residential solar energy system" to
19 mean a solar energy project on residential property or
20 multiresidential property. The bill defines "commercial solar
21 energy system" to mean a solar energy system on a property that
22 is not residential or multiresidential.

23 Any tax credit approved under the bill is not refundable
24 but the excess for the tax year may be credited to the tax
25 liability for the following 10 years or until depleted,
26 whichever is earlier.

27 A taxpayer eligible to claim a credit under the bill is not
28 eligible to claim a renewable energy tax credit under Code
29 chapter 476C.

30 The bill provides that a taxpayer may claim more than one tax
31 credit, but may claim only one credit per separate and distinct
32 solar energy system installation.

33 The bill permanently increases the maximum cumulative value
34 of tax credits that may be claimed during the year from \$4
35 million to \$10 million.

1 The bill provides that the wait list in existence prior to
2 January 1, 2021, shall remain in effect, and an applicant from
3 that wait list shall be given priority on any new wait list
4 based upon the date the application for the credit was received
5 by the department.

6 The division takes effect upon enactment and applies
7 retroactively to January 1, 2021, for tax years ending on or
8 after that date.

9 Division II raises the cumulative value of solar energy
10 system tax credits that may be claimed during the 2020 calendar
11 year from \$4 million to \$10 million. The division takes effect
12 upon enactment and applies retroactively to tax years beginning
13 on or after January 1, 2020, but before January 1, 2021.